

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NORTH DAKOTA**

In Re:	Case No.: 25-30004
The Ruins, LLC,	Chapter 11
Debtor.	

**AFFIDAVIT OF CHARLES AARESTAD
IN SUPPORT OF MOTION FOR RELIEF FROM STAY**

STATE OF MINNESOTA)
) SS
COUNTY OF NORMAN)

I, Charles Aarestad, hereby state and declare as follows:

1. I am a Vice President at Red River State Bank (“RRSB” or “Creditor”). I have held my current position since 2011.

2. I hold a Bachelor’s Degree in Agricultural Economics from North Dakota State University. I also attended the Graduate School of Banking at the University of Wisconsin-Madison.

3. I am personally familiar with the loan history between RRSB and The Ruins, LLC (the “Debtor”) and the Debtor’s partially constructed apartment building located at 315 East Kemp Ave., Watertown, South Dakota (the “Ruins Project”).

Debtor’s Payment History

4. RRSB’s loans to Debtor (collectively, the “RRSB Notes”) are described in Proof of Claim No. 1 filed by RRSB in the Debtor’s bankruptcy case (the “RRSB POC”).

5. As explained in the RRSB POC, the total outstanding balance of the Ruins Notes on the Petition Date was \$11,704,816.11, and it is broken down per note as follows:

	BALANCE
First Ruins Note	\$8,198,063.60
Second Ruins Note	\$2,926,377.54
Third Ruins Note	\$ 580,374.97

6. Prior to the petition date, Debtor defaulted several times on the Ruins Notes. Debtor missed several monthly payments and generally paid late. Debtor stopped making any payments on the Third Ruins Note after September 20, 2023. Debtor's last payments on the First and Second Ruins Notes were received by Creditor on November 13, 2023.

7. On February 27, 2024, RRSB commenced an action in the Third Judicial Circuit Court in Codington County, South Dakota seeking a money judgment for the amounts due on the Ruins Notes plus attorneys fees and costs, an order granting Creditor immediate possession of the Ruins Real Property, and other related relief in Civil Case No. 24-000068, *Red River State Bank v. The Ruins, LLC et al.* (the "Foreclosure Action").

8. On June 25, 2024, Creditor filed a motion for summary judgment in the Foreclosure Action and on December 6, 2024, Creditor filed a motion to appoint a receiver.

9. Debtor commenced this bankruptcy case on January 6, 2025. During the time this case has been pending, Debtor has failed to make any post-petition payments to Creditor. Interest continues to accrue at a rate of \$900.66 per day on the First Ruins Note and \$350.34 per day on the Second Ruins Note. The Third Ruins Note matured on December 31, 2023, and it remains outstanding. It accrues interest at a rate of \$106.38 per day.

Condition of RRSB's Collateral

10. I have performed multiple site visits to the Ruins Project since June 2022 because the Ruins Project is the primary collateral for over \$11.5 million in loans issued by RRSB to the Debtor.

11. My most recent visit to the Ruins Project was on May 6, 2025. During this visit, I personally observed several issues that gave me serious concerns that RRSB's collateral is not adequately protected by the Debtor right now.

12. First, it is open and obvious that construction is not complete. The building is not fully enclosed – two walls are not covered by any siding and several windows are damaged or missing. Surfaces were damp to the touch throughout the building. At a minimum, I have serious concerns about the need to prevent and remediate water and mold damage at the Ruins Project in the immediate short term.

13. When I visited the Ruins Project on April 17, 2024, there had recently been a rain storm in the area. After the storm, I walked through the Ruins Project and I found that so much rain water had penetrated the building envelope, there was water pooling on the floors in most of the units.

14. We have known of this potential for water to penetrate the building envelope for at least a year. But in my most recent site inspection, I could not identify what action, if any, the Debtor has taken to protect the building from additional water damage. I did find places where previous water stains had been repaired with mud and paint, but I also found places where there were new water stains to previously repaired spots.

15. I did not perform any intrusive testing. Water damage was visible to the naked eye. In addition to water stains, there were many areas where sheet rock tape and mud around the windows were pulling away from the surrounding sheet rock walls.

16. On or about April 17, 2024, RRSB filed a notice of claim for policy # BKS2465299485 with detailed pictures of water damage caused by wind and/or rain to Summit Insurance Agency, the Debtor's insurance agent of record. Upon information and belief, Debtor has withdrawn this insurance claim.

17. Second, I am concerned about the risk of theft and vandalism to RRSB's collateral at the Ruins Project. Specifically, I have maintained records of the appliances that were sold and delivered to the Ruins Project using loan proceeds from RRSB. During my most recent visit, I confirmed that several appliances and air conditioners were missing.

18. I am concerned that the Ruins Project has been used for "spare parts" in other apartment buildings. For example, I found a stack of Frigidaire window air conditioning units and boxes on the top floor of building. None of the serial numbers on the boxes matched the serial numbers on the factory label of the air conditioners, suggesting the air conditioning units for the Ruins Project may have been swapped to replace broken units in other buildings.

19. RRSB's collateral also includes Bobcat Track Loader that was purchased for the Ruins Project. I could not locate the Bobcat anywhere on the premises during my most recent site visit. Upon information and belief, the Debtor has taken no action to recover the Bobcat and return it to the secured creditor or the estate.

20. I have reviewed all of the Debtor's prior draw requests and related invoices for appliances for the Ruins Project. I have also personally inventoried, photographed and recorded the serial numbers of the appliances on site at the Ruins Project. Based on my records

and inspection, I believe the following appliances are currently missing from the Ruins Project: 15 dishwashers, 15 ranges/stoves, 16 microwaves, 28 refrigerators, 25 washing machines, 28 clothes dryers, and 26 air conditioners.

21. RRSB has filed a local police report to report the missing appliances and missing Bobcat. RRSB has also filed an insurance claim with Summit Insurance Agency for the missing personal property associated with the Ruins Project. But, upon information and belief, the Debtor caused this insurance claim to be withdrawn as well. To my knowledge, the Debtor's estate has never been compensated for the water damage to the Ruins Project or the missing appliances and Bobcat.

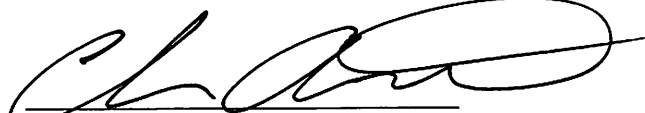
22. RRSB retained two experts to evaluate and confirm whether my concerns about RRSB's risk of loss in the Ruins Project was justified. After reading the report produced by Gehrtz Construction Services and Service Master and personally visiting the Ruins Project, I am concerned that we must take immediate action to prevent and remediate water damage and the related spread of mold and other pathogens that may render the building uninhabitable.

23. Additionally, after reading CBRE's most recent Appraisal Report, it is my professional opinion, as an experienced banker, that our collateral has lost significant value, and it will continue to lose value, while this bankruptcy case is pending.

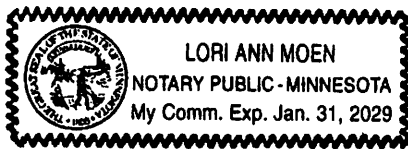
24. With the passage of time, I am certain the physical condition of the Ruins will continue to deteriorate and the cost to remediate and complete the Ruins will increase.

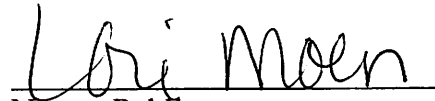
I declare under penalty of perjury that the foregoing is true and correct.

Dated this 14 day of July 2025.


Charles Aarestad

Subscribed and sworn to before me this 14 day of July 2025.




Notary Public

(SEAL)